

Message Text

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SUBJ: SHIPBUILDING INDUSTRY NATIONALIZATION

REF: (A) CERP ECONOMIC ALERT LIST, WESTERN EUROPE,

MAY/AUGUST 1974, UK Q NUMBER 6

(B) LONDON 6143, 16 MAY 1974

1. ON JULY 31 ANTHONY WEDGWOOD BENN, SECRETARY OF STATE FOR INDUSTRY, ANNOUNCED SOME DETAILS OF THE LABOUR GOVERNMENT NATIONALIZATION SCHEME FOR SHIPBUILDING, SHIP REPAIRING, AND MARINE ENGINEERING INDUSTRIES. THERE WERE FEW SURPRISES SINCE BENN HAS CONSISTENTLY VOWED TO NATIONALIZE THESE INDUSTRIES AS PROMISED IN THE LABOUR PARTY MANIFESTO. MOST OF THESE PLANS WERE DETAILED IN REF(B) AND THE TIMETABLE FOR PUBLISHING THE WHITE PAPER IN EARLY FALL APPEARS TO REMAIN THEIR PLAN.

2. THE CRITERION FOR NATIONALIZATION OF SHIPBUILDING IS THOSE FIRMS EMPLOYING AT LEAST 1000 PEOPLE. FOR SHIP REPAIRING, THE CRITERION IS 400 PEOPLE. THERE IS NO EMPLOYEE CUTOFF FOR THE MARINE ENGINE MANUFACTURERS SINCE THE GOVERNMENT BELIEVES THEIR SUCCESS IS COMPLETE-
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LY TIED TO THE SHIPBUILDING INDUSTRY. THE COMPANIES

INVOLVED WILL BE 13 SHIPBUILDERS (THREE OF WHICH ARE SUBSTANTIALLY GOVERNMENT-OWNED ALREADY), 13 SHIP REPAIRERS (FOUR OF WHICH ARE OWNED BY SHIPBUILDING COMPANIES BEING NATIONALIZED) AND SIX DIESEL ENGINE MANUFACTURERS (FOUR OF WHICH ARE PARTLY OWNED BY SHIPBUILDING COMPANIES BEING NATIONALIZED).

3. COMPANIES EXCLUDED FROM THE NATIONALIZATION PLAN INCLUDE HARLAND AND WOLFF, BELFAST (CONTROLLING INTEREST HELD BY NORTHERN IRELAND MINISTRY OF COMMERCE), AND MARATHON SHIPBUILDING (UK), THE US OWNED OFFSHORE OIL RIG BUILDERS WHO TOOK OVER THE BANKRUPT CLYDEBANK YARD WITH AID OF PUBLIC FUNDS GRANTED BY CONSERVATIVE GOVERNMENT. WE ARE ADVISED THAT MARATHON REPRESENTS A LONG SOUGHT AFTER DIVERSIFICATION INTO OIL RIG CONSTRUCTION WHICH THE UK DOESN'T WANT TO LOSE. IF NATIONALIZED, IT IS FEARED THE UK WOULD FRIGHTEN AWAY CURRENT EXPERTISE PROVIDED BY MARATHON.

4. DETAILS OF THE PROPOSAL ARE CONTAINED IN A DISCUSSION PAPER ISSUED ON JULY 31 WHEREIN THE GOVERNMENT SEEKS THE VIEWS OF INTERESTED PARTIES ON MATTERS THE LEGISLATION WILL NEED TO COVER. THE ANNOUNCEMENT MET WITH PREDICTABLE OPPOSITION FROM THE OWNERS, THE INDUSTRY ASSOCIATIONS, AND THE OPPOSITION. DESPITE THE FACT THAT BENN PROMISED FAIR COMPENSATION FOR THE ASSETS TO BE NATIONALIZED, THE TIMES EDITORIAL SAGELY POINTS TO THE DEPRESSED STOCK MARKET VALUE FOR SHARES NOW AT THEIR 15 YEAR LOW. IT IS EXPECTED THERE WILL BE MUCH DISCUSSION OF THIS NATIONALIZATION PROPOSAL, AND OTHERS WHICH MAY FOLLOW, IN THE MONTHS AHEAD PRIOR TO THE EXPECTED GENERAL ELECTION IN THE FALL.
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